Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Year ended March 31, 2011

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

Independent Auditors' Report

To the Shareholder of Rapid Transit Project 2000 Ltd.

We have audited the accompanying financial statements of Rapid Transit Project 2000 Ltd., which comprise the statement of financial position as at March 31, 2011, the statements of operations and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rapid Transit Project 2000 Ltd. as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

May 10, 2011
Victoria, Canada

RAPID TRANSIT PROJECT 2000 LTD.
Statement of Financial Position

As at March 31	2011	2010
	($ 000s)	($ 000s)
Assets		
Current assets		
Cash and cash equivalents	6,372	6,381
Accounts receivable	8	-
	6,380	6,381
Capital assets under lease (note 3)	838,092	865,843
	844,472	872,224
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	5,576	5,568
Due to related parties (note 4)	4	-
	5,580	5,568
Deferred contributions (note 5)	785,875	813,626
Shareholder's equity		
Retained earnings	66	79
Share capital and contributed surplus (notes 6 and 7)	52,951	52,951
	53,017	53,030
	844,472	872,224

Contingencies (note 8)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Director

RAPID TRANSIT PROJECT 2000 LTD.
Statement of Operations

Year ended March 31	2011	2010
	($ 000s)	($ 000s)
Revenue		
Amortization of deferred contributions	27,751	27,751
Interest income	70	28
	27,821	27,779
Expenses		
Amortization of capital assets under lease	27,751	27,751
General administrative	83	81
	27,834	27,832
Net loss	(13)	(53)
Retained earnings, beginning of year	79	132
Retained earnings, end of year	66	79

The accompanying notes are an integral part of these financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statement of Cash Flow

Year ended March 31	2011	2010
	($ 000s)	($ 000s)
Cash provided by (used in)		
Operations		
Net loss	(13)	(53)
Amortization of capital assets under lease	27,751	27,751
Amortization of deferred contributions	(27,751)	(27,751)
Net changes in non-cash working capital	4	(17)
	(9)	(70)
Change in cash and cash equivalents	(9)	(70)
Cash and cash equivalents, beginning of year	6,381	6,451
Cash and cash equivalents, end of year	6,372	6,381

The accompanying notes are an integral part of these financial statements.

1. Rapid Transit Project 2000 Ltd.:

Rapid Transit Project 2000 Ltd. (the Company) is incorporated under the laws of British Columbia. The Company is exempt from tax under the *Income Tax Act* as it is wholly owned by the Province of British Columbia (the Province).

Based on a Protocol Agreement with the Province, as represented by the Minister of Finance and by the Minister responsible for Transit, the Company was incorporated to carry out the study, design, construction and development of extensions to the existing Lower Mainland Light Rail Transit System (the SkyTrain Extension) of which the construction of the Millennium Line (the Line) and a pre-build component of the Evergreen Line were approved by the Province. In this capacity, the Company acts as an agent for the Province and conducts its activities in a manner consistent with general financial and management policies approved by the Treasury Board and the Province's Policy Framework for Crown Entrepreneurial Activities.

The Millennium Line was fully completed on January 6, 2006. The Line is being operated by British Columbia Rapid Transit Company Ltd. (BCRTC), a subsidiary of the South Coast British Columbia Transportation Authority (TransLink) under the multi-party Millennium Line Use Agreement with the Company and British Columbia Transit (BC Transit).

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Costs associated with the construction of the SkyTrain Extension were capitalized on an accrual basis to capital assets under lease.

(b) Capital assets under lease:

The SkyTrain Extension construction costs are recorded at cost including interest during construction.

Amortization is charged upon commencement of revenue service operations over the estimated service life using the straight-line method at the following annual rates:

Asset	Rate
SkyTrain Extension	40 years
Vehicles	25 years

2. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are initially recorded at fair value.

Interest-bearing assets and liabilities are subsequently accounted for at amortized cost using the effective interest method. When there is a loss in value of a financial asset that is other than temporary, the asset is written down and the loss is recorded as expense. The write-down is not reversed if there is a subsequent increase in value.

Cash and cash equivalents are classified as held for trading. Accounts receivable, accounts payable and amounts due to/from related parties are classified as loans and receivables and other liabilities initially recorded at fair value, then carried at amortized cost thereafter.

The Company has elected to continue to apply the financial instruments and disclosure standards in accordance with CICA Handbook section 3861, Financial Instruments - Disclosure and Presentation.

(d) Deferred contributions:

Deferred contributions include capital and pre-operating contributions from the Ministry of Finance as well as attributed interest. Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the provision for accrued liabilities, contingencies and the amortization of capital assets and deferred contributions. Actual results could differ from these estimates.

(f) Future accounting changes:

Effective April 1, 2011, the Company will be transitioning to Public Sector Accounting Standards ("PSAB") on a retrospective basis. The Company is reviewing the impact of this change on the financial statements."

3. Capital assets under lease:

Capital assets under lease consist of land, land improvements, stations, guideways, operating and maintenance centres, real property assets and other assets related to the Millennium Line. These assets are made available for use to the South Coast British Columbia Transportation Authority (TransLink) under the Millennium Line Use Agreement for consideration of one dollar per year.

The operating lease arrangement is for a period of approximately 11 years and 7 months ending March 30, 2014. The Company and TransLink may agree to renew and extend the term for additional successive periods of five years each and continuing for so long as the Line is part of the Regional Transportation System.

Cost information of the capital assets under lease is as follows:

($ 000s)			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
SkyTrain Extension	911,275	(192,835)	718,440	740,688
Vehicles	115,681	(48,980)	66,701	72,204
Land in use	52,951	-	52,951	52,951
	1,079,907	(241,815)	838,092	865,843

Completed construction costs include costs incurred by the Company in funding the provincially approved share of municipal integration costs and the provincially approved pre-build of an Evergreen Line connection to the Millennium Line at Lougheed Town Centre Station.

Included within capital assets is $21.2 million of land which was expropriated under the *Expropriation Act* and has been registered on behalf of the Company in the name of BC Transit. A number of previous owners of expropriated land have challenged the expropriated value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, $31.8 million, is registered in the Company's name.

4. Related party transactions:

The following table summarizes the Company's related party transactions during the period not otherwise disclosed:

($ 000s)	2011	2010
Received from / (paid to):		
Ministry of Finance	3	6
Ministry of Labour and Citizens' Services	(16)	(16)
Ministry of Transportation and Infrastructure	-	(31)

These transactions represent interest received from the government cash management program and general administrative services provided by the ministries. They are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

The following amounts represent balances outstanding as at March 31 with related parties:

($ 000s)	2011	2010
Due to:		
Ministry of Labour and Citizens' Services	4	-

5. Deferred contributions:

Deferred contributions are comprised of funding received as non-repayable Prepaid Capital Advances (PCAs) as well as attributed interest from the Ministry of Finance for the design, planning and construction of the SkyTrain Extension and the related pre-operating costs.

The deferred contributions are comprised of:

($ 000s)	2011	2010
Opening balance	813,626	841,377
Amortization	(27,751)	(27,751)
Closing balance	785,875	813,626

6. Share capital:

The Company has authorized and issued one common share without par value to Her Majesty the Queen in right of the Province of British Columbia.

The share capital and contributed surplus amount includes $1 share capital.

7. Contributed surplus:

Contributed surplus represents funding contributions from the Ministry of Finance in respect to the acquisition of land.

8. Contingencies:

Legal claims:

As at March 31, 2011, several legal claims against the company remain outstanding as a result of the project's compulsory acquisition of land. It is the opinion of management that these claims are unlikely to result in payments significant to the financial statements as a whole. Any difference between the amounts currently provided in respect to settlements and subsequently reassessed will be recorded in the period of reassessment.

9. Financial instruments:

The fair values of the Company's accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short term to maturity. The fair value of cash and cash equivalents approximates its carrying value as it earns interest at variable market rates.

The Company has no significant exposure to financial risks from its financial assets and liabilities. A change in interest rates has a minimal impact on the net earnings of the Company. Credit and liquidity risk are limited due to the nature and magnitude of cash and receivables.

10. Capital management:

The Company receives its principal source of capital through funding from the Province. The Company defines capital to be shareholder's equity and deferred contributions.

The Company's objective when managing capital is to fund its operations and capital asset additions. The Company manages the capital structure in conjunction with the Ministry of Transportation and Infrastructure and makes adjustments based on available government funding and economic conditions. Currently, the Company's strategy is to monitor expenditures to preserve capital.

The Company is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. The Company has complied with the external restrictions on the funding provided.